Inkosi Langalibalele

Inkosi Langalibalele Municipality
Annual Financial Statements
for the year ended 30 June 2018

General Information

Mayoral committee

Mayor	Ms. J M Mbhele
	Mr. S A Mdakane - Speaker & Ward 4 Councillor
Councillors	Mr. B A Dlamini - Deputy Mayor & EXCO Member
	Mr. N E Mazibuko - Chief Whip & PR Councillor
	Ms. P G Strydom - EXCO Member & PR Councillor
	Mr. B P Mlotshwa - EXCO Member & PR Councillor
	Mr. M C Mkhize - EXCO Member & Ward 16 Councillor
	Mr. E M Majola - EXCO Member & PR Councillor
	Ms. M D Mazibuko - EXCO Member & PR Councillor
	Ms. X Mokadi - EXCO Member & PR Councillor
	Ms. E Lite - EXCO Member & Ward 10 Councillor
	Ms. P P Mgaga - Ward 1
	Mr. N F Dlangalala - Ward 2
	Mr. B N Mpembe - Ward 3
	Mr. S E Mbongwa - Ward 5
	Mr. E S Ndumo -Ward 6
	Mr. T M Mvelase - Ward 7
	Mr. B T Mngadi - Ward 8
	Mr. B S Dladla - Ward 9
	Mr. B E Nkala - Ward 11
	Mr. S B Zondi - Ward 12
	Mr. L M Mlaba -Ward 13
	Mr. S P Vilakazi - Ward 14
	Mr. T P Dubazane - Ward 15
	Mr. N Mvelase - Ward 17
	Mr. S V Ndwandwe - Ward 18
	Mr. S N Mchunu - Ward 19
	Mr. M M Mncube - Ward 20
	Mr. B Dhladla - Ward 21
	Mr. L M Mvelase - Ward 22
	Mr. P B Mngadi - Ward 23
	Ms. T P Shelembe - PR
	Mr. U Chetty - PR
	Mr. N E Sithole - PR
	Ms. G E Mbhele - PR
	Mr. S W Khumalo - PR
	Mr. K A Vilakazi - PR
	Mr. M A Zulu - PR
	Mr. M B A Khanyile - PR
	Mr. S M Mbhele - PR
	Ms. S F Khumalo - PR
	Ms. Y N Dlamini - PR
	Ms. N M Hlongwane - PR
	Ms. T O Shandu - PR
	Ms. Z P Sikhosana - PR
	Mr. M M Nkala - PR
	Mr. R P Gericke - PR (Deceased)
	Mr. A S Ndlovu - PR (Deceased)

General Information

Grading of local authority	Grade 3
Chief Finance Officer (CFO)	Mr. S Radebe
Accounting Officer	Mr. P S Mkhize
Registered office	Civic Building Victoria Street Estcourt 3310
Postal address	P.O. Box 15 Estcourt 3310
Bankers	First National Bank
Auditors	Auditor General of South Africa

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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

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Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the municipality sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2019 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is wholly dependent on income from Services Charges, Property Rates and Grant Funding for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the Inkosi Langalibalele Municipality has neither the intention nor the need to curtail materially the scale of the municipality.

The annual financial statements set out on pages 5 to 55, which have been prepared on the going concern basis, were approved by the on 31 August 2018 and were signed on its behalf by:

Accounting Officer
Mr. P S Mkhize

Statement of Financial Position as at 30 June 2018

Figures in Rand	Note(s)	2018	2017 Restated*
Assets			
Current Assets			
Inventories	8	10 262 612	13 133 668
Receivables from exchange transactions	9	119 867 740	32 678 644
Receivables from non-exchange transactions	10	129 520 005	124 844 535
VAT receivable	11	12 948 102	548 815
Cash and cash equivalents	12	2 429 334	(16 702 866)
		275 027 793	**154 502 796**
Non-Current Assets			
Investment property	3	91 290 362	91 383 366
Property, plant and equipment	4	758 893 685	763 055 000
Intangible assets	5	42 074	67 794
Heritage assets	6	9 246 170	9 246 170
		859 472 291	**863 752 330**
Total Assets		**1 134 500 084**	**1 018 255 126**
Liabilities			
Current Liabilities			
Other financial liabilities	15	1 494 132	1 489 364
Finance lease obligation	13	437 462	3 067 047
Payables from exchange transactions	17	151 487 314	83 186 042
Consumer deposits	19	4 794 618	3 367 374
Employee benefit obligation	7	-	2 038 000
Unspent conditional grants and receipts	14	16 757 299	15 809 545
		174 970 825	**108 957 372**
Non-Current Liabilities			
Other financial liabilities	15	5 053 240	6 485 198
Finance lease obligation	13	3 222 867	7 205 674
Employee benefit obligation	7	33 060 000	31 022 000
Provisions	16	26 555 835	25 387 988
		67 891 942	**70 100 860**
Total Liabilities		**242 862 767**	**179 058 232**
Net Assets		**891 637 317**	**839 196 894**
Accumulated surplus		891 637 317	839 196 894

* See Note 40

Statement of Financial Performance

Figures in Rand	Note(s)	2018	2017 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	21	221 376 503	183 980 194
Rendering of services		-	1 168 811
Rental of facilities and equipment	22	203 212	531 526
Interest received		-	638 357
Other income		2 378 756	1 044 014
Recovery of Bad Debts Provision		13 989 533	-
Interest received - investment	24	444 883	716 369
Total revenue from exchange transactions		**238 392 887**	**188 079 271**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	25	88 955 621	67 313 987
Property rates - penalties imposed	25	18 608 707	10 991 972
Licences or Permits (Non-exchange)		4 359 527	4 616 916
Transfer revenue			
Government grants & subsidies	27	211 426 085	163 531 060
Fines, Penalties and Forfeits		2 895 053	1 639 210
Total revenue from non-exchange transactions		**326 244 993**	**248 093 145**
Total revenue	20	**564 637 880**	**436 172 416**
Expenditure			
Employee related costs	28	(169 549 797)	(109 803 584)
Remuneration of councillors	29	(14 118 777)	(11 764 874)
Depreciation and amortisation	30	(37 277 779)	(45 825 860)
Finance costs	31	(4 869 501)	(4 780 140)
Debt Impairment	32	(1 911 210)	(26 471 511)
Bulk purchases	33	(168 853 164)	(199 161 530)
Contracted services	34	(58 944 584)	(56 153 031)
Transfers and Subsidies	26	(30 899 337)	(23 387 912)
Loss on disposal of assets and liabilities		(5 429 967)	-
Actuarial losses		-	(6 101 032)
Inventories losses/write-downs		(307 954)	-
General Expenses	35	(31 375 603)	(55 038 942)
Total expenditure		**(523 537 673)**	**(538 488 416)**
Surplus (deficit) for the year		**41 100 207**	**(102 316 000)**

* See Note 40

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2017	**900 630 355**	**900 630 355**
Changes in net assets		
Prior Period Errors	40 882 539	40 882 539
Net income (losses) recognised directly in net assets	40 882 539	40 882 539
Surplus for the year	(102 316 000)	(102 316 000)
Total recognised income and expenses for the year	(61 433 461)	(61 433 461)
Total changes	(61 433 461)	(61 433 461)
Restated* Balance at 01 July 2017	**839 196 897**	**839 196 897**
Changes in net assets		
Current Year Adjustments	11 340 213	11 340 213
Net income (losses) recognised directly in net assets	11 340 213	11 340 213
Surplus for the year	41 100 207	41 100 207
Total recognised income and expenses for the year	52 440 420	52 440 420
Total changes	52 440 420	52 440 420
Balance at 30 June 2018	**891 637 317**	**891 637 317**

Note(s)

* See Note 40

Cash Flow Statement

Figures in Rand	Note(s)	2018	2017 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		328 408 800	289 999 870
Grants		211 426 085	163 531 060
Interest income		444 883	716 369
Other receipts		9 836 548	8 470 023
		550 116 316	462 717 322
Payments			
Employee costs		(183 668 574)	(121 568 458)
Suppliers		(309 203 536)	(333 657 150)
Finance costs		(4 869 501)	(4 780 140)
		(497 741 611)	(460 005 748)
Net cash flows from operating activities	37	**52 374 705**	**2 711 574**
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(38 427 707)	(52 615 419)
Cash flows from financing activities			
Repayment of other financial liabilities		(1 427 190)	806 829
Finance lease payments		6 612 392	10 329 716
Net cash flows from financing activities		**5 185 202**	**11 136 545**
Net increase/(decrease) in cash and cash equivalents		**19 132 200**	**(38 767 300)**
Cash and cash equivalents at the beginning of the year		(16 702 866)	22 064 434
Cash and cash equivalents at the end of the year	12	**2 429 334**	**(16 702 866)**

* See Note 40

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	248 309 000	-	**248 309 000**	221 376 503	**(26 932 497)**	
Rental of facilities and equipment	389 000	-	**389 000**	203 212	**(185 788)**	
Other income	2 709 000	-	**2 709 000**	2 378 756	**(330 244)**	
Other income 2	-	-	**-**	13 989 533	**13 989 533**	
Interest received - investment	544 000	-	**544 000**	444 883	**(99 117)**	
Total revenue from exchange transactions	**251 951 000**	**-**	**251 951 000**	**238 392 887**	**(13 558 113)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	94 693 000	-	**94 693 000**	88 955 621	**(5 737 379)**	
Property rates - penalties imposed	1 020 000	-	**1 020 000**	18 608 707	**17 588 707**	
Licences or Permits (Non-exchange)	5 408 000	-	**5 408 000**	4 359 527	**(1 048 473)**	
Transfer revenue						
Government grants & subsidies	161 834 000	3 717 000	**165 551 000**	211 426 085	**45 875 085**	
Fines, Penalties and Forfeits	13 630 000	-	**13 630 000**	2 895 053	**(10 734 947)**	
Total revenue from non-exchange transactions	**276 585 000**	**3 717 000**	**280 302 000**	**326 244 993**	**45 942 993**	
Total revenue	**528 536 000**	**3 717 000**	**532 253 000**	**564 637 880**	**32 384 880**	
Expenditure						
Personnel	(129 226 000)	(30 000 000)	**(159 226 000)**	(169 549 797)	**(10 323 797)**	
Remuneration of councillors	(16 119 000)	-	**(16 119 000)**	(14 118 777)	**2 000 223**	
Depreciation and amortisation	(45 159 000)	-	**(45 159 000)**	(37 277 779)	**7 881 221**	
Finance costs	(2 539 000)	500 000	**(2 039 000)**	(4 869 501)	**(2 830 501)**	
Debt Impairment	(7 000 000)	-	**(7 000 000)**	(1 911 210)	**5 088 790**	
Bulk purchases	(151 264 000)	-	**(151 264 000)**	(168 853 164)	**(17 589 164)**	
Contracted Services	(30 000 000)	(10 728 000)	**(40 728 000)**	(58 944 584)	**(18 216 584)**	
Transfers and Subsidies	(10 000 000)	-	**(10 000 000)**	(30 899 337)	**(20 899 337)**	
General Expenses	(98 924 000)	17 779 000	**(81 145 000)**	(31 375 603)	**49 769 397**	
Total expenditure	**(490 231 000)**	**(22 449 000)**	**(512 680 000)**	**(517 799 752)**	**(5 119 752)**	
Operating surplus	**38 305 000**	**(18 732 000)**	**19 573 000**	**46 838 128**	**27 265 128**	
Loss on disposal of assets and liabilities	-	-	**-**	(5 429 967)	**(5 429 967)**	
Inventories losses/write-downs	-	-	**-**	(307 954)	**(307 954)**	
	-	**-**	**-**	**(5 737 921)**	**(5 737 921)**	
Surplus before taxation	**38 305 000**	**(18 732 000)**	**19 573 000**	**41 100 207**	**21 527 207**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**38 305 000**	**(18 732 000)**	**19 573 000**	**41 100 207**	**21 527 207**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Mergers

Definitions

Carrying amount of an asset or liability is the amount at which an asset or liability is recognised in the statement of financial position.

A merger is the establishment of a new combined municipality in which none of the former entities obtain control over any other and no acquirer can be identified.

Merger date is the date on which entities are combined for the mutual sharing of risks and benefits and when the assets and liabilities are transferred to the combined municipality.

A merger is the establishment of a new combined municipality in which none of the former entities obtains control over any other and no acquirer can be identified. As no acquirer can be identified, a merger does not result in an municipality having or obtaining control over any of the entities that are involved in the transaction or event, as the combining entities are not controlled entities of each other, either before or after the merger.

Accounting by the entity as the combined entity

Initial recognition and measurement

As of the merger date, the municipality recognises all the assets acquired and liabilities assumed. The assets acquired and liabilities assumed are measured at their carrying amounts.

If, prior to the merger, a combining municipality was not applying the accrual basis of accounting, that combining municipality changes its basis of accounting to the accrual basis of accounting prior to the merger.

The difference between the carrying amounts of the assets acquired and the liabilities assumed is recognised in accumulated surplus or deficit.

1.4 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Accounting Policies

1.4 Investment property (continued)

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost over the useful life of the property, which is as follows:

Item	Useful life
Property - buildings	x years

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

The nature OR type of properties classified as held for strategic purposes are as follows:

1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Accounting Policies

1.5 Property, plant and equipment (continued)

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Land	Straight line	indefinite
Buildings	Straight line	4-53 years
Plant and machinery	Straight line	5-15 years
Furniture and fixtures	Straight line	5- 7 years
Motor vehicles	Straight line	5-7 years
Office equipment	Straight line	5-7 years
IT equipment	Straight line	3 years
Infrastructure	Straight line	10 years
Community	Straight line	30 years
Other property, plant and equipment	Straight line	3-10 years

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Accounting Policies

1.5 Property, plant and equipment (continued)

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note).

1.6 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Accounting Policies

1.6 Intangible assets (continued)

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Depreciation method	Average useful life
Computer software, other	Straight line	3 years

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note).

1.7 Heritage assets

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality's operations that is shown as a single item for the purpose of disclosure in the annual financial statements.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

An impairment loss of a cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount.

An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

An inalienable item is an asset that an municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

Recoverable amount is the higher of a cash-generating asset's net selling price and its value in use.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Value in use of a cash-generating asset is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Value in use of a non-cash-generating asset is the present value of the asset's remaining service potential.

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note).

Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Accounting Policies

1.7 Heritage assets (continued)

Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

1.8 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

Accounting Policies

1.8 Financial instruments (continued)

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:
- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:
- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:
- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:
- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Accounting Policies

1.9 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the .

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.10 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.11 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Accounting Policies

1.11 Impairment of cash-generating assets (continued)

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:
- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Judgements made by management in applying the criteria to designate assets as cash-generating assets or non-cash-generating assets, are as follows:

[Specify judgements made]

1.12 Impairment of non-cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:
- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Accounting Policies

1.12 Impairment of non-cash-generating assets (continued)

Judgements made by management in applying the criteria to designate assets as non-cash-generating assets or cash-generating assets, are as follows:

[Specify judgements made]

1.13 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an municipality after deducting all of its liabilities.

1.14 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Accounting Policies

1.14 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The entity measure the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The entity determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

Accounting Policies

1.14 Employee benefits (continued)

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the entity re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

The entity offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Accounting Policies

1.14 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
- those changes were enacted before the reporting date; or
- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

1.15 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus (deficit).

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Accounting Policies

1.15 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 39.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

Accounting Policies

1.15 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.11 and 1.12.

If the related asset is measured using the revaluation model:

- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
  - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit;
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

1.16 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.17 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Accounting Policies

1.17 Revenue from exchange transactions (continued)

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by .

1.18 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Accounting Policies

1.18 Revenue from non-exchange transactions (continued)

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

1.19 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.20 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.21 Comparative figures

In accordance with GRAP 107 Mergers, comparative figures are not necessary.

1.22 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

Accounting Policies

1.22 Unauthorised expenditure (continued)

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.23 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.24 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

(a) this Act; or
(b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
(c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.25 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a accrual basis and presented by functional classification linked to performance outcome objectives.

Accounting Policies

1.25 Budget information (continued)

The approved budget covers the fiscal period from 2016/08/10 to 2017/06/30.

The budget for the economic entity includes all the entities approved budgets under its control.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.26 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

The municipality is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the municipality to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the municipality is exempt from the disclosures in accordance with the above, the municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity’s financial statements to understand the effect of related party transactions on its annual financial statements.

1.27 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:

3. Investment property

	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	92 502 348	(1 211 986)	91 290 362	92 502 348	(1 118 982)	91 383 366

Reconciliation of investment property - 2018

	Opening balance	Depreciation	Total
Investment property	91 383 366	(93 004)	91 290 362

Reconciliation of investment property - 2017

	Opening balance	Other changes, movements	Depreciation	Total
Investment property	1 586 549	89 875 000	(78 183)	91 383 366

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

The valuation of the investment property was performed by MillsFithet Independent Valuers. The fixed date of valuation and the date of compilation as per the valuation report are 2 July 2012 and 19 April 2013 respectively. The fair value as at the date 2 July 2012 was R 3 500 000.

4. Property, plant and equipment

	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Buildings	388 566 924	(134 695 537)	253 871 387	386 738 347	(128 056 781)	258 681 566
Plant and machinery	16 088 184	(13 445 426)	2 642 758	16 285 176	(11 482 064)	4 803 112
Furniture and fixtures	5 916 872	(5 358 421)	558 451	6 022 866	(5 172 348)	850 518
Motor vehicles	17 936 739	(15 462 615)	2 474 124	19 765 160	(15 929 784)	3 835 376
Office equipment	13 615 852	(11 836 279)	1 779 573	13 261 602	(10 906 193)	2 355 409
Infrastructure	576 097 260	(256 192 864)	319 904 396	567 564 655	(229 134 714)	338 429 941
Community	75 117 035	(15 414 937)	59 702 098	68 733 006	(14 016 839)	54 716 167
Security Assets	186 467	(126 688)	59 779	204 011	(82 648)	121 363
Work In progress	111 723 987	-	111 723 987	90 969 323	-	90 969 323
Finance Leased Assets	17 713 937	(11 536 805)	6 177 132	17 712 937	(9 420 712)	8 292 225
Total	**1 222 963 257**	**(464 069 572)**	**758 893 685**	**1 187 257 083**	**(424 202 083)**	**763 055 000**

Figures in Rand	2018	2017

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Transfers	Revaluations	Depreciation	Impairment loss	Total
Buildings	258 681 566	1 828 577	-	-	(2 979 123)	(3 659 633)	253 871 38
Plant and machinery	4 803 112	64 087	-	(261 079)	(1 944 977)	(18 385)	2 642 75
Furniture and fixtures	850 518	32 016	-	(138 010)	(168 216)	(17 857)	558 45
Motor vehicles	3 835 376	-	-	-	(1 192 701)	(167 550)	2 474 12
Office equipment	2 355 409	642 423	-	(288 173)	(864 498)	(65 588)	1 779 57
Infrastructure	338 429 941	-	8 532 605	-	(26 559 163)	(498 987)	319 904 39
Community	54 716 167	197 761	6 375 573	-	(1 290 241)	(297 162)	59 702 09
Security Assets	121 363	-	-	(17 544)	(44 040)	-	59 77
Work In progress	90 969 323	35 662 843	(14 908 179)	-	-	-	111 723 98
Finance Leased Assets	8 292 225	-	-	-	(2 116 096)	-	6 177 13
	763 055 000	**38 427 707**	**(1)**	**(704 806)**	**(37 159 055)**	**(4 725 162)**	**758 893 68**

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Transfers	Other changes, movements	Depreciation	Total
Buildings	309 806 172	1 629 443	(53 243 800)	11 629 341	(11 139 590)	258 681 566
Plant and machinery	5 183 900	108 671	-	-	(489 459)	4 803 112
Furniture and fixtures	1 065 115	-	-	-	(214 597)	850 518
Motor vehicles	4 814 348	-	-	12 542	(992 514)	3 835 376
Office equipment	5 972 260	389 126	-	-	(4 005 977)	2 355 409
Infrastructure	334 407 928	10 408 133	-	17 853 366	(24 239 486)	338 429 941
Community	56 860 160	-	-	186 719	(2 330 712)	54 716 167
Other property, plant and equipment	62 417	76 250	-	-	(17 304)	121 363
Work in Progress	80 138 050	40 003 796	(10 408 133)	(18 764 390)	-	90 969 323
Finance Lease Assets	9 904 910	-	-	(12 542)	(1 599 143)	8 292 225
	808 215 260	**52 615 419**	**(63 651 933)**	**10 905 036**	**(45 028 782)**	**763 055 000**

Pledged as security

No Property Plant and Equipment was pledged as security for the year ended 30 June 2017.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

5. Intangible assets

	2018			2017		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	2 102 484	(2 060 410)	42 074	2 102 484	(2 034 690)	67 794

Figures in Rand	2018	2017

5. Intangible assets (continued)

Reconciliation of intangible assets - 2018

	Opening balance	Impairment loss	Total
Computer software, other	67 794	(25 720)	42 074

Reconciliation of intangible assets - 2017

	Opening balance	Amortisation	Total
Computer software, other	182 496	(114 702)	67 794

6. Heritage assets

	2018			2017		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical buildings	9 246 170	-	9 246 170	9 246 170	-	9 246 170

Reconciliation of heritage assets 2018

	Opening balance	Total
Historical buildings	9 246 170	9 246 170

Reconciliation of heritage assets 2017

	Opening balance	Total
Historical buildings	9 246 170	9 246 170

7. Employee benefit obligations

The amounts recognised in the statement of financial position are as follows:

Carrying value		
Present value of the defined benefit obligation-partly or wholly funded	(33 060 000)	(33 060 000)
Non-current liabilities	(33 060 000)	(31 022 000)
Current liabilities	-	(2 038 000)
	(33 060 000)	**(33 060 000)**

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	33 060 000	26 958 968
Net expense recognised in the statement of financial performance	-	6 101 032
	33 060 000	**33 060 000**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

7. Employee benefit obligations (continued)

Net expense recognised in the statement of financial performance

Current service cost	-	679 222
Interest cost	-	2 091 002
Actuarial (gains) losses	-	5 368 808
Settlement	-	(2 038 000)
	-	**6 101 032**

Figures in Rand	2018	2017

7. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

Post Employment Medical Aid Benefits

Valuation Methdology

The two most important financial variables used in the valution process was the discount and medical aid inflation rates. the assumptions below was used for calculation of this benefit.

The discount rate applied below is best approximated reference to market yields at the reporting date on government bonds. The nominal and real zero curves as at 30 June 2017 supplied by the JSE was used to determine the discount rates and CPI assumptions.

The Medical Aid Contribution Inflation Rate was set with reference to the past relationships between Discount rate for each relevant time period and yield curve rate -medical aid contribution inflation for each relevant time period.

The average retirement age for active employees was asssumed to be 63 years. This assumption implicitly allows for ill-health and earlt retirements.

The normal retirement age for all active employees was assumed to be 65 years.

Mortality rate was based on the SA 85-90 mortality tables. These tables are the most commonly used tables in the industry. Mortality post employment (pensioners) was based on the PA (90) ultimate mortality tables. No explicit assumption was made regarding additional mortality or health care costs due to AIDS.

The assumption was made that the marital status of members who are currently married will remain the same until retirement. It was also assumpted that 90% of all single employees would be married at retirement with no dependent children. Where necessary it was assumed that female spouses would be five years younger that their male spouses at retirement and vice versa.

Financial Variable

Discount Rate - The Yield Curve assumption was applied

CPI - The difference between Yield and Norminal Curve was applied

Medical Aid Contribution Inflation - CPI+1% assumption was applied t

Net Effective Discount Rate - The Yield Curve based assumption was applied.

Long Service Award

Valuation Methdology

The Long Service Award benefits are awarded in the form of leave days once an employee has completed a certain number of years of service.

The awarded leave days was converted into a percentage of the annual salary by assuming there are 250 working days per year. The expected value of each employee's long service award is projected to the next interval by allowing for future salary growth.

The table below contains a summary of the benefit policy.

Completed Years Service	Total Long Service Benefit Award (%of Annual Salary)	Formula used to calculate Total Long Service Benefit Award
10,00	0,04	(10/250)* Annual Salary

Figures in Rand		2018	2017

7. Employee benefit obligations (continued)

15,00	0,08	(20/250)* Annual Salary
20,25,30,35,40,and 45	0,12	(30/250)* Annual Salary

Financial Variables

Discount Rate - The Yield Curve assumption was applied

Net Effective Discount Rate - The Yield Curve based assumption was applied.

CPI - The difference between Yield and Norminal Curve was applied

Medical Aid Contribution Inflation - CPI+1% assumption was applied

Net Effective Discount Rate - The Yield Curve based assumption was applied.

The discount rate applied below is best approximated reference to market yields at the reporting date on government bonds. The nominal and real zero curves as at 30 June 2017 supplied by the JSE was used to determine the discount rates and CPI assumptions.

The underlying future rate of the consumer price index inflation was derived from the relationship between the yield curve based for Conventional Bond Rate for each relevant time period and yield curve based for Inflation linked Bond Rate for each relevant time period. The assumed salary inflation rate was set at CPI +1%. The salaries included in teh valution was increased on the 1 July 2017 of 7.36%. The next salary increases was assumed to take place on the 1 July 2018.

The average retirement age for active employees was asssumed to be 63 years. This assumption implicitly allows for ill-health and earlt retirements.

The normal retirement age for all active employees was assumed to be 65 years.

Mortality rate was based on the SA 85-90 mortality tables. These tables are the most commonly used tables in the industry.

The table below indicates in addition to normal salary inflation rate, the promotional salary increases was also assumed:

Age Band	Promotional Increase
20-24	0,05
25-29	0,04
30-34	0,03
35-39	0,02
40-44	0,01
45 and over	-

8. Inventories

Electricity	478 952	1 976 773
Rates & General	776 624	2 135 386
Consumable stores - Franking Machine Stamps	2 036	2 036
Unsold Properties Held for Resale	9 005 000	9 005 000
Fuel (Diesel, Petrol)	-	14 473
	10 262 612	**13 133 668**

9. Receivables from exchange transactions

Other receivables - Deposits with Creditors	-	3 766 231
Consumer debtors - Electricity	106 362 938	28 116 351
Consumer debtors - Refuse	12 525 200	-
Rental Debtors	979 602	796 062
	119 867 740	**32 678 644**

Figures in Rand	2018	2017

9. Receivables from exchange transactions (continued)

Reconciliation of provision for impairment of trade and other receivables

Opening balance	33 184 438	10 334 667
Provision for impairment	-	25 258 531
Amounts written off as uncollectible	-	(2 408 760)
Unused amounts reversed	(13 989 533)	-
	19 194 905	**33 184 438**

10. Receivables from non-exchange transactions

Fines- Traffic	1 043 292	549 539
Other receivables from non-exchange revenue - Overpayments to Creditors	270 534	-
Consumer debtors - Rates	128 206 179	124 294 996
	129 520 005	**124 844 535**

Reconciliation of provision for impairment of receivables from non-exchange transactions

Opening balance	1 684 384	471 404
Provision for impairment	1 911 210	1 212 980
	3 595 594	**1 684 384**

11. VAT receivable

VAT	12 948 102	548 815

The Municipality accounts for VAT is payable on the receipt basis.

12. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	13 780	11 238
Bank balances	(3 539 252)	(21 973 977)
Short-term deposits	5 954 806	5 259 873
	2 429 334	**(16 702 866)**

Short term deposits

FNB Call Account Number 62033811995	116 199	94 722
FNB - Cheque Account Number 62216019019	478 894	374 290
FNB cheque Account Number 62216024737	528 031	498 904
FNB Money Market Account Number 62232266991	168 792	35 052
FNB Cheque Account Number 62281385130	37 222	9 760
FNB Money Market Account Number 62347581060	1 228	1 228
FNB Money Market Account Number 62347582050	389 040	370 879
FNB Fixd Deposit Account Number 71066697123	14 000	14 000
FNB Fixed Deposit Account Number 71021254116	42 064	42 064
FNB Fixed Deposit Account Number 71048724530	11 000	11 000
Standard Bank Money Market Account Number 75075646	12 522	12 522
Nedbank Fixed Deposit Account Number 19542952	32 234	32 235
FNB Call Acount Number 62296691686	4 123 582	3 763 217
	5 954 808	**5 259 873**

Figures in Rand	2018	2017

12. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2018	30 June 2017	30 June 2016	30 June 2018	30 June 2017	30 June 2016
Main Bank Account - FNB Acc. No. 62633444443	5 089 084	7 490 893	-	-	(26 560 415)	-
Main Bank Account - FNB 52200363994	-	1 083 384	-	-	-	-
Main Bank Account - ABSA 4056119170	522	1 055 389	-	-	-	-
Housing Bank Account - ABSA 4060975423	-	642	-	-	642	-
Total	**5 089 606**	**9 630 308**	**-**	**-**	**(26 559 773)**	**-**

13. Finance lease obligation

Minimum lease payments due		
- within one year	437 462	3 067 047
- in second to fifth year inclusive	3 222 867	7 205 674
Present value of minimum lease payments	**3 660 329**	**10 272 721**
Non-current liabilities	3 222 867	7 205 674
Current liabilities	437 462	3 067 047
	3 660 329	**10 272 721**

It is municipality policy to lease certain motor vehicles and equipment under finance leases.

The average lease term was 5 years for motor vehciles and 5 years for equipment.

Interest rates are fixed at the contract date. All leases have fixed repayments

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note .

Figures in Rand	2018	2017

14. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Demarcation Grant	5 426 400	2 328 390
COGTA Small Towns Grant	1 908 205	1 908 205
FMG Grant	822 898	915 424
INEP Grant	6 983 074	1 220 565
MIG Grant	-	3 267 817
Infrastructure Sport Facility	1 912	1 912
Record Management Grant	-	200 000
Work Study Grant	-	679 750
Scheme Support Grant	-	1 000 000
By Laws Grant	-	200 000
IDP PMS Grant	-	12 770
Library Grant	736 426	2 540 307
EPWP Grant	-	582 831
Museum Grant	110 841	651 000
NYDA Grant	216 027	216 027
Good Governance Grant	-	84 547
All Other CoGTA Grants	519 116	-
Department of Housing Grant	32 400	-
	16 757 299	**15 809 545**

Movement during the year

Balance at the beginning of the year	15 809 545	14 267 905
Additions during the year	69 762 383	68 784 000
Income recognition during the year	(68 814 629)	(67 242 360)
	16 757 299	**15 809 545**

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

15. Other financial liabilities

At amortised cost		
DBSA Loan 61000893	2 365 751	2 510 246
DBSA Loan 61000894	2 485 740	4 105 707
ABSA Loan 30-4127-3209	1 695 881	1 358 609
	6 547 372	**7 974 562**
Total other financial liabilities	**6 547 372**	**7 974 562**

The DBSA Loans are repayed bi-annually, whilst the ASBA is repayed monthly on the 1st. The DBSA Loans have a fixed interest rate of 6.75% and ABSA has fixed interest rate of 9.67%. The ABSA Loan will be redeemed in full by the 1 November 2019. The DBSA loans will be fully redeem by the 30 June 2031.

Figures in Rand	2018	2017

15. Other financial liabilities (continued)

Non-current liabilities		
At amortised cost	5 053 240	6 485 198
Current liabilities		
At amortised cost	1 494 132	1 489 364

16. Provisions - Land Fillsite

Reconciliation of provisions - 2018

	Opening Balance	Additions	Total
Environmental rehabilitation	25 387 988	1 167 847	26 555 835

Reconciliation of provisions - 2017

	Opening Balance	Additions	Total
Environmental rehabilitation	24 156 030	1 231 958	25 387 988

Environmental rehabilitation provision

The determination of the costs required for the rehabilitation of the Landfill sites was done as at 30 June 2018. The landfill site is 13 years to closure, but will still require rehabilitation. The increase in the provision was calculated using the previous year data which was escalated with CPI of 4.60%

17. Payables from exchange transactions

Trade payables	137 284 991	66 804 788
Retentions	4 913 611	5 321 302
Provision for Leave	9 288 712	11 059 952
	151 487 314	**83 186 042**

18. VAT payable

19. Consumer deposits

Electricity	4 794 618	3 367 374

20. Revenue

Rendering of services	-	1 168 811
Service charges	221 376 503	183 980 194
Rental of facilities and equipment	203 212	531 526
Interest received	-	638 357
Other income	2 378 756	1 044 014
Other income 2	13 989 533	-
Interest received - investment	444 883	716 369
Property rates	88 955 621	67 313 987
Property rates - penalties imposed	18 608 707	10 991 972
Government grants & subsidies	211 426 085	163 531 060
Fines, Penalties and Forfeits	2 895 053	1 639 210
	560 278 353	**431 555 500**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

20. Revenue (continued)

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	221 376 503	183 980 194
Rendering of services	-	1 168 811
Rental of facilities and equipment	203 212	531 526
Interest received	-	638 357
Other income	2 378 756	1 044 014
Other income 2	13 989 533	-
Interest received - investment	444 883	716 369
	238 392 887	**188 079 271**
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	88 955 621	67 313 987
Property rates - penalties imposed	18 608 707	10 991 972
Licences or permits	4 359 527	4 616 916
Transfer revenue		
Government grants & subsidies	211 426 085	163 531 060
Fines, Penalties and Forfeits	2 895 053	1 639 210
	326 244 993	**248 093 145**

21. Service charges

Sale of electricity	214 756 819	176 333 777
Refuse removal	6 619 684	7 593 021
Other service charges	-	53 396
	221 376 503	**183 980 194**

22. Rental of facilities and equipment

Facilities and equipment		
Rental of facilities	203 212	531 526

23. Other revenue

Other income	2 378 756	1 044 014
Other income 2	13 989 533	-
	16 368 289	**1 044 014**
The amount included in other revenue arising from exchanges of goods or services are as follows:		
Sundry Income	2 339 276	975 922
Rates Clearance Certificates	25 064	32 409
Sign Display Fees	88	26 438
Building Plan Fees	8 679	4 000
Sale of Photocopies	5 649	5 245
	2 378 756	**1 044 014**

24. Investment revenue

Interest revenue		
Bank	444 883	716 369

Figures in Rand	2018	2017

25. Property rates

Rates received

Residential	91 189 708	96 833 619
Less: Income forgone	(2 234 087)	(29 519 632)
	88 955 621	67 313 987
Property rates - penalties imposed	18 608 707	10 991 972
	107 564 328	**78 305 959**

Valuations

Residential	1 926 264 500	1 857 258 500
Commercial	958 746 000	950 832 000
State	1 324 696 000	1 640 959 000
Municipal	202 077 000	197 550 400
Small holdings and farms	1 087 796 000	1 104 661 000
Public Benefit	74 259 000	102 249 000
Communal Land	445 087 000	375 447 000
NEMA	350 000 000	25 000 000
Property rates 4	-	57 117 000
	6 368 925 500	**6 311 073 900**

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2012. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions. The new general valuation will be implemented on 01 July 2017.

Rates will be due and payable in 12 equal or near instalments. Any rates that are not paid on the due dates will be subject to interest at the rate of prime plus one percent per annum.

26. Grants and subsidies paid

Other subsidies		
EPWP Grant Expenditure	4 606 937	1 854 719
FMG Grant Expenditure	3 288 579	2 047 179
Demarcation Grant Expenditure	4 749 220	6 898 733
Work Study Grant Expenditure	600 000	20 250
Youth Development Grant Expenditure	-	383 973
Sports & Recreation	-	400
Other Grants	-	10 069 100
Department of Housing	1 416 441	-
Library Grant Expenditure	4 852 167	2 113 558
Museum Grant Expenditure	890 159	-
Grant Expenditure Scheme Support	792 443	-
By-Laws Grant Expenditure	164 651	-
Record Management Expenditure	197 200	-
INEP Grant Expenditure	9 341 540	-
	30 899 337	**23 387 912**

Figures in Rand	2018	2017

27. Government grants and subsidies

Operating grants		
Equitable share	143 450 000	103 923 000
EPWP Grant	4 606 937	1 328 657
Work Study Grant	679 750	84 780
IDP PMS Grant	-	387 230
Demarcation Grant	5 184 989	7 385 609
FMG Grant	3 692 525	2 750 344
Library Grant	5 238 881	2 600 071
CSC Operational Support Grant	-	5 550
Department of Housing Grant	1 416 441	-
Mesuem Grant	890 159	-
Scheme Support Grant	893 299	-
By-Laws Grant	187 702	-
Record Management Grant	197 200	-
	166 437 883	**118 465 241**
Capital grants		
INEP Grant	6 712 202	1 774 875
MIG Grant	38 276 000	35 279 182
Small Towns Grant	-	2 451 641
COGTA Electrification Grant	-	5 560 121
	44 988 202	**45 065 819**
	211 426 085	**163 531 060**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

CSC Thusong Centre

Balance unspent at beginning of year	-	5 550
Conditions met - transferred to revenue	-	(5 550)
	-	**-**

Conditions still to be met - remain liabilities (see note 14).

Dermarcation Grant

Balance unspent at beginning of year	2 328 390	3 886 000
Current-year receipts	8 283 000	5 828 000
Conditions met - transferred to revenue	(5 184 990)	(7 385 610)
	5 426 400	**2 328 390**

Conditions still to be met - remain liabilities (see note 14).

Small Town Cogta Grant

Balance unspent at beginning of year	1 908 205	2 359 846
Current-year receipts	-	2 000 000
Conditions met - transferred to revenue	-	(2 451 641)
	1 908 205	**1 908 205**

Conditions still to be met - remain liabilities (see note 14).

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

27. Government grants and subsidies (continued)

FMG Grant

Balance unspent at beginning of year	915 424	-
Current-year receipts	3 600 000	3 450 000
Conditions met - transferred to revenue	(3 692 526)	(2 534 576)
	822 898	**915 424**

Conditions still to be met - remain liabilities (see note 14).

INEP Grant

Balance unspent at beginning of year	1 220 565	-
Current-year receipts	15 000 000	10 000 000
Conditions met - transferred to revenue	(6 712 202)	(8 779 435)
Unspent Grant Off-set against Equitable Share	(2 525 289)	-
	6 983 074	**1 220 565**

Conditions still to be met - remain liabilities (see note 14).

MIG Grant

Balance unspent at beginning of year	3 267 817	-
Current-year receipts	38 276 000	38 547 000
Conditions met - transferred to revenue	(38 530 292)	(35 279 183)
Unspent Grant Off-set against Equitable Share	(3 013 525)	-
	-	**3 267 817**

Conditions still to be met - remain liabilities (see note 14).

Infrastructure Sports Facility

Balance unspent at beginning of year	1 912	1 912

Conditions still to be met - remain liabilities (see note 14).

By Laws Grant

Balance unspent at beginning of year	200 000	-
Current-year receipts	-	200 000
Transferred to All Other CoGTA Grants as per SCOA Segement	(200 000)	-
	-	**200 000**

Conditions still to be met - remain liabilities (see note 14).

Work Study Grant

Balance unspent at beginning of year	679 750	-
Current-year receipts	-	700 000
Conditions met - transferred to revenue	-	(20 250)
Transferred to All Other CoGTA Grants as per SCOA Segement	(679 750)	-
	-	**679 750**

Conditions still to be met - remain liabilities (see note 14).

Figures in Rand	2018	2017

27. Government grants and subsidies (continued)

Scheme Support Grant

Balance unspent at beginning of year	1 000 000	-
Current-year receipts	-	1 000 000
Transferred to All Other CoGTA Grants as per SCOA Segement	(1 000 000)	-
	-	**1 000 000**

Conditions still to be met - remain liabilities (see note 14).

Records Management

Balance unspent at beginning of year	200 000	-
Current-year receipts	-	200 000
Transferred to All Other CoGTA Grants as per SCOA Segement	(200 000)	-
	-	**200 000**

Conditions still to be met - remain liabilities (see note 14).

IDP Grant

Balance unspent at beginning of year	12 770	-
Current-year receipts	-	400 000
Conditions met - transferred to revenue	-	(387 230)
Transferred to All Other CoGTA Grants as per SCOA Segement	(12 770)	-
	-	**12 770**

Conditions still to be met - remain liabilities (see note 14).

Library Grant

Balance unspent at beginning of year	2 540 307	1 843 378
Current-year receipts	3 435 000	3 297 000
Conditions met - transferred to revenue	(5 238 881)	(2 600 071)
	736 426	**2 540 307**

Conditions still to be met - remain liabilities (see note 14).

COGTA Electrification Grant

Balance unspent at beginning of year	-	5 560 121
Conditions met - transferred to revenue	-	(5 560 121)
	-	**-**

Conditions still to be met - remain liabilities (see note 14).

Provide explanations of conditions still to be met and other relevant information.

EPWP

Balance unspent at beginning of year	582 831	109 550
Current-year receipts	5 133 000	2 328 000
Conditions met - transferred to revenue	(5 191 188)	(1 854 719)
Unspent Grant Off-set against Equitable Share	(524 643)	-
	-	**582 831**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

27. Government grants and subsidies (continued)

Conditions still to be met - remain liabilities (see note 14).

Museum Grant

Balance unspent at beginning of year	651 000	317 000
Current-year receipts	350 000	334 000
Conditions met - transferred to revenue	(890 159)	-
	110 841	**651 000**

Conditions still to be met - remain liabilities (see note 14).

NYDA Grant

Balance unspent at beginning of year	216 027	100 000
Current-year receipts	-	500 000
Conditions met - transferred to revenue	-	(383 973)
	216 027	**216 027**

Conditions still to be met - remain liabilities (see note 14).

Good Governance Grant

Balance unspent at beginning of year	84 547	84 547
Transferred to All Other CoGTA Grants as per SCOA Segement	(84 547)	-
	-	**84 547**

Conditions still to be met - remain liabilities (see note 14).

All Other CoGTA Grants

Current-year receipts	300 000	-
Conditions met - transferred to revenue	(1 957 951)	-
Transferred to All Other CoGTA Grants as per SCOA Segement	2 177 067	-
	519 116	**-**

Conditions still to be met - remain liabilities (see note 14).

Provide explanations of conditions still to be met and other relevant information.

Department of Housing Grant

Current-year receipts	1 448 841	-
Conditions met - transferred to revenue	(1 416 441)	-
	32 400	**-**

Conditions still to be met - remain liabilities (see note 14).

Provide explanations of conditions still to be met and other relevant information.

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

28. Employee related costs

Basic	113 266 285	103 708 727
Bonus	8 617 411	1 077 254
Medical aid - company contributions	7 000 845	172 086
UIF	1 028 689	114 994
WCA	-	7 268
SDL	1 412 451	41 647
Leave pay provision charge	(490 455)	(1 669 968)
Travel, motor car, accommodation, subsistence and other allowances	8 000 499	1 752 257
Overtime payments	7 376 411	749 509
Long-service awards	480 576	-
Acting allowances	615 154	-
Housing benefits and allowances	559 003	20 634
Cell Phone Allowance	489 298	5 951
Pension Fund	15 861 708	609 127
Group Life	1 311 914	23 166
Other Allowances	121 425	299 730
	165 651 214	**106 912 382**

Remuneration of municipal manager - Mr. P S Mkhize

Annual Remuneration	551 768	-
Car Allowance	160 000	-
Contributions to UIF, Medical and Pension Funds	1 256	-
	713 024	**-**

The Municipal Manager was provided with two full-time body guards.

Remuneration of chief finance officer - Mr. S P Radebe

Annual Remuneration	584 713	453 857
Car Allowance	194 904	151 286
Contributions to UIF, Medical and Pension Funds	1 785	7 459
Cellphone Allowance	23 190	18 000
	804 592	**630 602**

The Chief Financial Officer was provided with one full-time body guard.

Remuneration of GM Civil - S R Zwane

Annual Remuneration	391 098	-
Car Allowance	119 932	-
Contributions to UIF, Medical and Pension Funds	2 900	-
Cellphone Allowance	9 991	-
	523 921	**-**

Remuneration of GM Community - Mrs. Z M Ndlela

Annual Remuneration	663 685	476 995
Car Allowance	165 096	128 148
Contributions to UIF, Medical and Pension Funds	1 785	7 382
Cellphone Allowance	23 190	18 000
	853 756	**630 525**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

28. Employee related costs (continued)

The General Manager - Community was provided with one full-time body guard.

Remuneration of GM Corporate - Mr. H B Chotoo

Annual Remuneration	621 015	482 035
Car Allowance	375 634	301 679
Contributions to UIF, Medical and Pension Funds	1 785	9 135
Cellphone Allowance	4 856	18 190
	1 003 290	**811 039**

The Director Corporate Services was provided with two full-time body guards.

Remuneration of GM Development Planning - Mr. E H DLADLA

Annual Remuneration	490 095	516 048
Car Allowance	125 035	157 789
Performance Bonuses	-	51 605
Contributions to UIF, Medical and Pension Funds	7 556	8 530
Cellphone Allowance	-	12 843
Housing Allowance	-	72 221
	622 686	**819 036**

The Director Development Planning post was vacant since 1 March 2018. The General Manager - Planning was provided with two full-time body guard.

29. Remuneration of councillors

Mayor	758 012	652 926
Deputy Mayor	649 308	532 899
EXCO Members	2 031 816	2 079 602
Speaker	630 878	530 736
Ordinary Councillors	8 834 945	7 238 480
MPAC Chairperson	620 841	359 757
Chief Whip	592 977	370 474
	14 118 777	**11 764 874**

In-kind benefits

The Mayor, Deputy Mayor, Speaker are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Mayor and the Deputy Mayor each have the use of separate Council owned vehicles for official duties.

The Mayor has 9 full-time bodyguards. The Deputy Mayor has 5 full-time bodyguards. The Speaker has 3 full-time bodygurads. The Chief Whip has 2 full-time bodyguards and 1 night security officer at his residence. The MPAC Chairperson has 1 full-time bodyguard.

30. Depreciation and amortisation

Property, plant and equipment	37 159 055	45 632 975
Investment property	93 004	78 183
Intangible assets	25 720	114 702
	37 277 779	**45 825 860**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

31. Finance costs

Finance leases	540 731	4 230 071
Current borrowings	1 180 493	550 069
Other interest paid	3 148 277	-
	4 869 501	**4 780 140**

The interest expense on finance leases has been calculated at an effective interest rate on the present value of the minimum lease payments

32. Debt impairment

Contributions to debt impairment provision	1 911 210	26 471 511

33. Bulk purchases

Electricity	168 853 164	199 161 530

34. Contracted services

Presented previously		
Operating Leases	3 810 165	-
Outsourced Services		
Administrative and Support Staff	189 780	-
Security Services	38 893 911	33 351 120
Consultants and Professional Services		
Business and Advisory	1 449 190	-
Infrastructure and Planning	2 885 780	-
Legal Cost	3 145 936	906 130
Contractors		
Electrical	27 323	3 220 098
Maintenance of Buildings and Facilities	2 467 623	9 907 822
Maintenance of Equipment	3 610 669	2 634 234
Tracing Agents and Debt Collectors	2 464 207	6 133 627
	58 944 584	**56 153 031**

Figures in Rand	2018	2017

35. General expenses

Advertising	1 387 712	358 207
Auditors remuneration	3 464 521	8 996 071
Bank charges	666 575	447 467
Cleaning	197 300	636 911
Consumables	11 333 578	739 048
Donations	215 750	117 950
Entertainment	90 422	234 590
Insurance	1 641 123	1 390 674
Community development and training	-	3 363 750
Conferences and seminars	27 626	-
IT expenses	602 183	582 667
Motor vehicle expenses	391 686	323 910
Fuel and oil	5 275 974	5 486 462
Postage and courier	145 456	438 395
Printing and stationery	1 166 506	3 143 187
Promotions	-	1 665 616
Software expenses	-	1 296 758
Subscriptions and membership fees	20 163	4 444 455
Telephone and fax	2 661 531	3 040 955
Training	5 865	673 943
Uniforms	518 176	2 549 378
Amakhosi	214 829	482 961
Land Fill Site Provision	-	1 543 570
Indigent Expenditure	-	317 367
Other General Expenses	1 348 627	12 764 650
	31 375 603	**55 038 942**

36. Auditors' remuneration

Auditor General Fees	3 095 169	6 215 742
Internal Audit Fees	369 352	2 780 329
	3 464 521	**8 996 071**

37. Cash generated from operations

Surplus (deficit)	41 100 207	(102 316 000)
Adjustments for:		
Depreciation and amortisation	42 707 746	45 825 860
Finance costs - Finance leases	4 869 501	4 780 140
Debt impairment	12 078 323	53 016 417
Movements in retirement benefit assets and liabilities	-	6 101 032
Movements in provisions	(64 111)	1 231 958
Changes in working capital:		
Inventories	(2 871 056)	4 311 621
Receivables from exchange transactions	(87 189 096)	(34 367 449)
Other receivables from non-exchange transactions	(4 675 470)	(33 655 746)
Payables from exchange transactions	56 442 950	50 542 741
VAT	(12 399 287)	8 764 088
Unspent conditional grants and receipts	947 754	(1 541 641)
Consumer deposits	1 427 244	18 553
	52 374 705	**2 711 574**

Figures in Rand	2018	2017

38. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	45 871 809	14 928 628
Total capital commitments		
Already contracted for but not provided for	45 871 809	1 936 632

Authorised operational expenditure

Already contracted for but not provided for		
• Security	-	26 472 039
• Financial System - MUNSOFT	2 428 800	4 250 400
• Annual Financial Statements - MUNSOFT	1 587 682	3 105 000
• Other commitments	1 736 475	1 970 902
• Fixed Assets Register - Quartex JV Dash Consulting	1 820 181	-
• Valuation Roll - Ndlala Mass Valuations	1 066 581	-
	8 639 719	**35 798 341**
Total operational commitments		
Already contracted for but not provided for	8 639 719	-

This committed expenditure relates to plant and equipment and will be financed by available grant revenue.

39. Contingencies

Summary of Litigations		
Non-payement of Invoices to various suppliers	22 723 464	8 851 900
Sale of Caravan Park and Weenen Sale	-	682 000
Termination of Tender Agreements	851 915	3 989 915
Breach of employment Contract	4 500 000	4 500 000
Damage to property	140 816	120 000
Incorrect Payment of Grant & Pension	2 478 407	-
Legal Costs/ Taxation	243 247	-
Pothole Claims	40 537	-
Recovery of Overpayment - Department of Public Works	18 300 000	-
	49 278 386	**18 143 815**

40. Prior-year adjustments

Presented below are those items contained in the statement of financial position, that have been affected by prior-year adjustments:

Statement of financial position

Figures in Rand	2018	2017

40. Prior-year adjustments (continued)

2017

	Note	As previously reported	Correction of error	Restated Balance
Payables from Exchange Transactions-Retentions	17	(7 340 736)	2 019 434	(5 321 302)
Other Financial Liabilities - Loans	15	(7 318 151)	(656 411)	(7 974 562)
Provisions - Landfill Site	16	(25 699 600)	311 612	(25 387 987)
Trade and payables from exchange transactions	17	(58 927 673)	(7 877 115)	(66 804 788)
Unspent conditional Grants	14	(17 745 670)	1 936 124	(15 809 545)
Receivables from Non-exchange transactions - Traffic Fines	10	551 016	(1 481)	549 539
Vat Receivable	11	1 959 740	(1 410 925)	548 815
Payables from Exchange Transactions - Provision for leave	17	(7 090 204)	(3 969 747)	(11 059 952)
Cash and cash equivalents	12	(26 559 773)	4 585 797	(21 973 976)
Receivables from Non-Exchange Transactions	10	120 254 584	4 040 412	124 294 996
Receivables from Exchange Transactions	9	33 156 399	(477 755)	32 678 645
PPE	4	804 261 808	(41 206 804)	763 055 000
Investment property	3	1 508 366	89 875 000	91 383 366
Inventories	8	15 290 600	(6 285 600)	9 005 000
Accumulated Surplus		(798 315 356)	(40 882 541)	(839 196 896)
		27 985 350	**-**	**27 986 353**

41. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The liquidity ratio is outlined below. The Muncipality had a current ratio of 1.32:1 as at 30 June 2017 and 1.24:1 as at 30 June 2018

Financial Instruments	2018
Current Assets	506 462 859
Current Liabilities	(407 199 293)
	99 263 566

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

41. Risk management (continued)

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	**2018**	**2017**
Cash and Cash Equivalents	5 924 806	5 271 111
Receivables from Non-Exchange Transactions	129 520 005	124 844 535
Receivables from Exchange Transactions	119 867 740	32 678 644

Market risk

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality’s income and operating cash flows are substantially independent of changes in market interest rates.

The municipality’s interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk. .

At 30 June 2018, financial instruments exposed to interest rate risk were call and notice deposits.

42. Going concern

We draw attention to the fact that at 30 June 2018, the municipality had an accumulated surplus (deficit) of R 891 637 317 and that the municipality's total liabilities exceed its assets by R 891 637 317.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to implement debt collection and cost containment measures to fund the ongoing operations for the municipality will remain in force for so long as it takes to restore the solvency of the municipality. The municiplaity is also under administration in terms of Section 139 of the Constitution and Section 137 of the MFMA which was initiated by COGTA to assist the Municipality with its improvement of cashflow.

43. Unauthorised expenditure

Opening Balance	42 179 998	42 179 998

The opening balance unauthorised expenditure is a combination of both the former Umtshezi and Imbabazane Municipalities. The unauthorised expenditure will be taken to council for condonement.

Figures in Rand	2018	2017

44. Fruitless and wasteful expenditure

Opening Balance	31 606 041	30 463 175
Fruitless and Wasteful Expenditure current year	2 169 744	1 142 866
	33 775 785	**31 606 041**

The opening balance fruitless and wasteful expenditure is a combination of both the former Umtshezi and Imbabazane Municipalities. A report will be tabled to council for condonment.

The total fruitless and wasteful expenditure for the current period was reported to MANCO and EXCO for noting. A report will be table to council and national treasury for approval. The current year fruitless and wasteful expenditure was incurred for interest on overdue accounts.

45. Irregular expenditure

Opening balance	200 927 535	162 461 051
Add: Irregular Expenditure - current year	48 109 459	38 466 484
	249 036 994	**200 927 535**

46. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	54 825	61 544
Amount paid - current year	(54 825)	(61 544)
	-	**-**

Audit fees

Opening balance	3 382 551	-
Current year subscription / fee	2 458 570	8 996 072
Amount paid - current year	(3 382 551)	(5 613 521)
	2 458 570	**3 382 551**

The balance of the Audit fees will be settled in the 2018/2019 Financial year. This expenditure was accrured within trade and other payables.

PAYE and UIF

Current year subscription / fee	23 427 320	13 300 791
Amount paid - current year	(23 427 320)	(13 300 791)
	-	**-**

Pension and Medical Aid Deductions

Current year subscription / fee	11 818 221	7 405 969
Amount paid - current year	(11 818 221)	(7 405 969)
	-	**-**

Figures in Rand	2018	2017

46. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2018:

30 June 2018	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
N F Dlangalala	925	-	925
B & N M Hlongwane	1 760	1 237	2 997
A S Ndlovu	1 145	1 483	2 628
M T Mvelase	39	1 240	1 279
N Mvelase	179	4 035	4 214
M B A & Z M Khanyile	210	-	210
P Strydom - Shop 4	-	11 645	11 645
	4 258	**19 640**	**23 898**

30 June 2017	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
N F Dlangalala	-	460	460
P Strydom	-	10 493	10 493
M T Mvelase	-	1 128	1 128
M Mvelase	-	3 501	3 501
M B A & Z M Khanyile	-	6 948	6 948
J M Njoko	-	4 192	4 192
	-	**26 722**	**26 722**

47. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the Council Meeting and includes a note to the annual financial statements.

Various goods and services were procured during the financial year under review and the process followed in procuring those goods and servcies deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the who considered them and subsequently approved the deviation from the normal supply chain management regulations. Note 49 & 50 lists the total deviations as at 30 June 2017.

48. Deviation from supply chain management regulations less than R 200,000

Various Deviations	1 257 745	2 231 792

Figures in Rand	2018	2017

49. Deviation from supply chain management regulations greater than R 200,000

Natal Park Waste CC - Emergency crisis with waste collection	-	513 000
RIS Vehicle Hire CC - Emergency crisis with waste collection	-	217 306
World Focus - Refurbishment of Caterpillar	-	401 850
Ramsey Webbers Inc - Legal Representations	1 000 000	-
Royal Palm Hotel - Annual Salga Games	325 800	-
Mahambayedwa Trading - Repairs to Dumpsite Fencing	250 000	-
Quartex Technologies JV Dashing Solutions - Compilation of Fixed Assets Register	1 820 181	-
	3 395 981	**1 132 156**